

1 IN THE SUPREME COURT OF THE UNITED STATES
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3 FRANCHISE TAX BOARD OF :
4 CALIFORNIA, :
5 Petitioner, :
6 v. : No. 02-42
7 GILBERT P. HYATT, ET AL. :
8 - - - - - x
9 Washington, D.C.
10 Monday, February 24, 2003
11 The above-entitled matter came on for oral
12 argument before the Supreme Court of the United States at
13 11:02 a.m.
14 APPEARANCES:
15 FELIX LEATHERWOOD, ESQ., Deputy Attorney General,
16 Los Angeles, California; on behalf of the
17 Petitioner.
18 H. BARTOW FARR, III, ESQ., Los Angeles, California; on
19 behalf of the Respondent.
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P R O C E E D I N G S

[11:02 a.m.]

CHIEF JUSTICE REHNQUIST: We'll hear argument next in number 02-42, Franchise Tax Board of California versus Gilbert Hyatt.

Mr. Leatherwood.

ORAL ARGUMENT OF FELIX LEATHERWOOD

ON BEHALF OF PETITIONER

MR. LEATHERWOOD: Mr. Chief Justice, may it please the Court:

Respondent has prompted the Nevada courts to extend their authority over California's tax process. The Nevada court has said at Joint Appendix 138, the entire process, of FTB audits of Hyatt, including the FTB's assessment of taxes and the protests, is at issue in this case, end quote. This has been said to mean, at Joint Appendix 138, that the tax process is under attack.

This lawsuit interferes with California's capacity to administer these taxes. The administration of taxes is a core, sovereign responsibility from which all functions of State Government depend on. It is protected by immunity laws of common-law tort lawsuits, like the kind presented by Respondent.

California has invoked the protection of its immunity laws, but the Nevada courts have allowed

1 respondents laws to proceed, not by extending full faith
2 and credit. And this refusal threatens our constitutional
3 system for cooperative federalism in violation of Article
4 IV, Section 1 of the United States Code.

5 QUESTION: Mr. Leatherwood, may I ask you a
6 threshold question? Some of your friends in this case
7 have invited an overruling of Nevada against Hall. Of
8 course, California was favored by that decision. Do you
9 join in the plea to overrule Nevada v. Hall, or do you say
10 this case is different because it involves four sovereign
11 functions?

12 MR. LEATHERWOOD: Justice Ginsberg, we do not
13 join in the chorus to overrule Nevada v. Hall. This case
14 is different. This case goes to footnote 24 of Nevada v.
15 Hall. It's our feeling that Nevada v. Hall is good law in
16 the sense it does -- it does not implicate another state
17 managing another state's core sovereign function. It's --
18 Nevada v. Hall was strictly an automobile accident.

19 QUESTION: But the comparison would be between
20 the university, education, which was the -- which was the
21 defendant, and the tax authorities. Both of those,
22 education and tax, seem core. Or if you're going to
23 compare the tort itself, it would be a comparison between
24 negligent driving, on the one hand, and going into another
25 state and committing -- you know, peering through windows,

1 going through garbage, totally wrongly getting all the
2 neighbors to reveal private information, et cetera. So
3 comparing the particular acts, what's the difference, or
4 comparing sovereign functions, what's the difference?

5 MR. LEATHERWOOD: I mean, compared -- I thank
6 you, Your Honor -- in comparing the sovereign functions --

7 QUESTION: Education versus tax.

8 MR. LEATHERWOOD: Yeah, and driving an
9 automobile in another state's -- on another state's
10 highway --

11 QUESTION: That's not the sovereign function.

12 MR. LEATHERWOOD: That's not --

13 QUESTION: I'm saying that --

14 MR. LEATHERWOOD: -- the sovereign function.

15 QUESTION: -- it seems like that's apples and
16 oranges to me. That is, in the one case, we're looking at
17 the acts they're complaining of, and here the plaintiff is
18 complaining of acts that took place in Nevada that were
19 miles outside what would be reasonable. I'm not saying
20 he's right, but that's his complain. In Nevada v. Hall,
21 they were complaining about negligent driving. So what's
22 the difference there?

23 Or, alternatively, in Nevada v. Hall, it was a
24 driver who worked for a university, and here it is an
25 investigator who works for the tax board. So what's the

1 difference there?

2 MR. LEATHERWOOD: Well, to answer the Court's
3 question directly, the most significant difference is that
4 the tax function is -- is much more significant than the
5 education function.

6 QUESTION: Well, that's -- that -- that --that
7 would be a very difficult premise for us to say, that
8 education is somehow secondary.

9 MR. LEATHERWOOD: Well --

10 QUESTION: You're -- you're saying Nevada can't
11 have a great university -- can have a great university by
12 keeping its people within its own borders. They can't go
13 to California to get information to solicit, to recruit
14 students? That -- that would be a very difficult decision
15 for us to write on that premise.

16 MR. LEATHERWOOD: No, Your Honor, I would agree
17 with you that that would be a difficult --

18 QUESTION: For the State of California to argue
19 that education is not a core state function is, to me,
20 rather astounding.

21 MR. LEATHERWOOD: No, Your Honor, I'm not
22 arguing that education is not a core sovereign function.
23 What I'm arguing is that taxation is an essential core
24 sovereign function since that education cannot move
25 forward --

1 QUESTION: Well, Mr. --

2 MR. LEATHERWOOD: -- to provide taxation.

3 QUESTION: -- Leatherwood, we -- this court
4 tried to follow a core state function test under the Tenth
5 Amendment. And in Garcia, kind of gave it up, didn't it,
6 as being an unworkable thing. Now, why would we want to
7 resurrect that here? And why is it that you don't say,
8 well, if the Court wants to overrule Nevada v. Hall,
9 that's fine; I'll win. I mean, I don't understand your
10 position. You're asking us to go back to a test that we
11 rejected under the Tenth Amendment in Garcia, but you
12 don't want to say, sure, if you want to overrule Nevada v.
13 Hall, be my guest.

14 MR. LEATHERWOOD: Yes, Your Honor. Justice
15 O'Connor, what we are attempting to say here is that this
16 case is more analogous to this court's jurisprudence in
17 the area of the Federal Tax Injunction Act along the line
18 of fair assessment -- the fair assessment cases, where the
19 court has directed that the Federal Government will back
20 off on trying to manage state taxes.

21 QUESTION: There you have a specific act of
22 Congress that tells the Federal Government to back off.
23 And I don't believe you have any such thing here.

24 MR. LEATHERWOOD: But we do have the Full Faith
25 and Credit Clause, which directs that a state is to

1 recognize the public acts of another state. And we do
2 have an immunity law applicable here, and this directs
3 that Nevada should respect the immunity laws of the State
4 of California. And the immunity law, in this particular
5 instance, provide absolute immunity for conduct as
6 undertaken in a -- in a tax audit. Anything that's
7 associated with tax audit, is protected.

8 QUESTION: But Nevada did recognize California
9 law to the extent it was similar to Nevada's -- that is,
10 saying you had immunity from the negligent acts. And then
11 it went on to say, no, you don't have immunity from
12 intentional acts, even though California law does give
13 immunity from intentional acts. But surely you wouldn't
14 go to the extreme that you would say someone could come
15 over to Las Vegas from California and just beat up
16 somebody because they haven't paid their taxes, would
17 they?

18 MR. LEATHERWOOD: Absolutely, I agree with the
19 Court on that point. The --

20 QUESTION: Why not?

21 MR. LEATHERWOOD: -- the extension of that --

22 QUESTION: Why do you agree on that point? I
23 don't understand that?

24 MR. LEATHERWOOD: Because the extension of our
25 immunity law does not cover physical torts or torts --

1 QUESTION: Oh.

2 MR. LEATHERWOOD: -- outside the scope --

3 QUESTION: I see.

4 MR. LEATHERWOOD: -- of course, the scope of --

5 of the -- the acts that are incidental to --

6 QUESTION: I see. So under California law,

7 there would be -- that would be actionable; whereas, under

8 Nevada law, here, what they're doing is actionable. You

9 just want to use the California standard rather -- rather

10 than the Nevada standard.

11 MR. LEATHERWOOD: Well, in fact, Your Honor, if

12 they would use the Nevada standard, use the same standard

13 that Nevada applies to its own taxing agencies, then this

14 case would be on a hold. What Nevada has done in this

15 particular case is that it has gone outside its own

16 precedent and applied a different standard to California

17 taxing agencies, and it's not --

18 QUESTION: But that's not what they're -- the

19 Nevada court said, we're going to treat the tax collectors

20 from anywhere who come in to our state and act here, and

21 we're going to -- the Nevada Supreme Court said, we're

22 going to apply our rule, and our rule is negligence is

23 immunity; intentional, there isn't. So you're asking us

24 to discredit or disbelieve the Nevada Supreme Court when

25 it said, the law we apply to tax collectors who act in

1 this state is the same as we apply to Nevada tax
2 collectors.

3 MR. LEATHERWOOD: Your Honor, I am not asking
4 this Court to not believe the Nevada Supreme Court. But
5 what I'm saying is that Nevada has published precedent, as
6 recent as 1989, where it requires that a taxpayer forego
7 bringing a lawsuit until they -- until there has been --
8 until there's a resolution of all statutory procedures.

9 QUESTION: Oh, but this -- but Nevada Supreme
10 Court, I thought, made very clear that what they were
11 dealing with is tortious conduct, harassing conduct.
12 They, in fact, refused -- Nevada Supreme Court refused to
13 decide where this man was domiciled, because that would
14 interfere with the ongoing procedure in California on the
15 tax liability. I thought that the Nevada Supreme Court
16 had made it clear that they were dealing with the way
17 their resident is being harassed and not with where he was
18 domiciled on a magic date.

19 MR. LEATHERWOOD: Your Honor, what has happened
20 in this particular case, 97 percent of the conduct that
21 occurred during the course of this audit occurred in
22 California. And, quite naturally, what Nevada is -- what
23 Nevada is doing is permitting Mr. Hyatt to go behind the
24 actual tort and make a collateral attack on the tax
25 itself.

1 QUESTION: Well, that may be, but the that isn't
2 the issue that we've got in front of us here. I mean, the
3 question in front of us is not how far can the Nevada
4 courts go in reviewing California's tax practice. The
5 issue before us is, among others, in a claim of tort
6 against your -- your operative in Nevada, for the manner
7 in which the tax is collected is their absolute immunity.
8 And, you know, maybe the Nevada courts are going too far
9 in discovery, but that's not the issue in front of us.

10 MR. LEATHERWOOD: I would absolutely agree with
11 the Court that the issue whether or not Nevada was
12 obligated to apply our immunity laws with respect --

13 QUESTION: All right.

14 MR. LEATHERWOOD: -- with respect to conduct
15 undertaken incidental to this audit.

16 QUESTION: May I go back to Justice Stevens'
17 question, because I'm not sure of your answer to it. What
18 if the State of California passed a statute tomorrow
19 morning saying the use of thumbscrews in tax collection is
20 authorized? Is -- would your answer to Justice Stevens'
21 question be that -- or wouldn't your answer to Justice
22 Stevens' question be that if you went into Nevada and you
23 used thumbscrews, you would be entitled, on your theory,
24 to absolute immunity? Isn't that correct?

25 MR. LEATHERWOOD: Your Honor, no. What I'm

1 saying is that, under that particular theory, I do not
2 think that you could pass law in the State of California
3 that will essentially sanction a crime, and there was no
4 crimes committed within the course of this audit.

5 If the -- if an auditor commits an intentional
6 tort, such as a burglary or a trespass in Nevada or in
7 California, it's -- it's our position that that particular
8 conduct is not incidental to --

9 QUESTION: It doesn't matter. I mean, we're
10 trying to get the -- we're trying to get the analysis of
11 it, and I'm having exactly the same problem. Imagine
12 that, you know, California did say there is absolute
13 immunity, even if you beat somebody up, absolute tort
14 immunity. Okay? Even for beating people up. Now,
15 suppose they did have that; you could prosecute it as a
16 crime. Now you're in Nevada, and they say, the plaintiff,
17 he beat me up, he came across the state line, down from
18 Lake Tahoe. He was in a bad mood, lost too much money at
19 the casino, and he beat me up. All right? Now, can
20 Nevada bring that lawsuit or not? That's, I think, what
21 Justice Stevens' question was.

22 MR. LEATHERWOOD: Well -- well, I understand
23 that, Your Honor. My position is that even though that
24 law does not exist in California --

25 QUESTION: Yes.

1 MR. LEATHERWOOD: -- but applying --
2 QUESTION: If it did.
3 MR. LEATHERWOOD: -- applying it -- my -- our
4 particular theory --
5 QUESTION: Yes.
6 MR. LEATHERWOOD: -- that, yes, we -- then
7 Nevada would be obligated under the Full Faith and Credit
8 Clause to apply that particular law. But --
9 QUESTION: And, therefore, you could not bring
10 the lawsuit in Nevada about somebody beating somebody up.
11 MR. LEATHERWOOD: If --
12 QUESTION: If that were the law in California.
13 MR. LEATHERWOOD: -- if that were -- if that was
14 the case. But --
15 QUESTION: Yeah, okay.
16 MR. LEATHERWOOD: -- in this particular case,
17 that's illegal in California and that's illegal in Nevada.
18 QUESTION: So how, then, do we reconcile that
19 position, where we're back to our starting place, with the
20 fact that he could bring an action if on his way down from
21 Lake Tahoe in the state car, he happened to drive a little
22 negligently and ran somebody over? I mean, that's Nevada
23 v. Hall, just reverse the states.
24 MR. LEATHERWOOD: No, and we're agreeing with
25 Nevada v. Hall.

1 QUESTION: I know. So this is why we're having
2 a problem. It's clear that if our tax collector, on his
3 way down from Lake Tahoe, runs over a Nevada resident, the
4 Nevada resident can sue and apply Nevada law.

5 MR. LEATHERWOOD: Yes, I --

6 QUESTION: You say, if, in fact, that same tax
7 collector beats up somebody, and the California law is
8 that you cannot sue, Nevada cannot apply its own law.

9 MR. LEATHERWOOD: That's not what I'm saying,
10 Your Honor. I'm saying if that conduct -- if that conduct
11 is connected to the actual audit itself, then it's
12 protected. But what I'm saying, I cannot possibly see,
13 under any possible theory, that a beating, that it -- that
14 breaking into someone's house could actually be part of
15 the assessment -- tax assessment process. If an auditor
16 engages in that kind of behavior, the auditor is not
17 covered under the absolute immunity. That is outside the
18 scope of that --

19 QUESTION: Okay.

20 MR. LEATHERWOOD: -- of that statute.

21 QUESTION: And is the reason that the answer is
22 different in the two cases, the reason that there is
23 something special about tax collection or is the reason
24 that there is a closer connection in the hypo of the
25 beating up for tax collection than the driving the

1 automobile for tax collection?

2 MR. LEATHERWOOD: Well --

3 QUESTION: Which is it? Is it the nature of the
4 tax collection or the nature of the activity which leads
5 to the tort liability?

6 MR. LEATHERWOOD: Well, I think it's both, Your
7 Honor. Well, first of all, tax -- tax collection, by
8 definition, is an intrusion of someone's life. The
9 allegations alleged here are principally invasion of
10 privacy, disclosure of information, that sort of thing.
11 Ninety-seven percent of that conduct occurred in
12 California. You cannot possibly investigate or prosecute
13 Mr. Hyatt's case without intruding into that tax --

14 QUESTION: Mr. Leatherwood, if I understand your
15 position, it would be exactly the same if a hundred
16 percent of the conduct had occurred in Nevada.

17 MR. LEATHERWOOD: Absolutely, Your Honor. That
18 -- but -- but --

19 QUESTION: But the problem I have -- may I just
20 ask this question. Assume there is a -- there's a
21 difference between Nevada law and California law, as I
22 understand it. Some things are actionable against a tax
23 people in one state and not the other. Why is it, in your
24 view, that if the same conduct had occurred six months
25 later, but by Nevada tax collectors instead of by

1 California tax collectors, because he's been in both
2 states and probably is subject to tax in both, Nevada
3 would allow the suit against its own tax people but now
4 allow it against the California tax people? Why does that
5 make sense?

6 MR. LEATHERWOOD: Well, Your Honor, in this
7 particular case, as I've indicated, according to our
8 reading of Nevada precedent, published precedent, that
9 they would not permit this lawsuit to proceed until the
10 tax process has been concluded. With respect to -- to
11 directly answer your question, it does not appear that
12 Nevada would prosecute its own -- it will permit a
13 prosecution of its own agents in the case where the
14 allegations are principally that there is an intrusion
15 into Mr. Hyatt's life or that there --

16 QUESTION: Well, we understood the reasoning of
17 the Nevada Supreme Court to say they would. I think -- I
18 must have misread the opinion. Is that --

19 MR. LEATHERWOOD: No, absolutely not, Your
20 Honor. I don't think you misread the opinion. What I
21 think the Nevada Supreme Court said is that they will
22 permit intentional tort prosecution of government
23 employees. This case does not involve a government
24 employee. This case involves a government agency itself,
25 a tax agency. And under Nevada law, you cannot proceed

1 against the Nevada tax agency without first exhausting
2 your administrative and statutory remedies to contest the
3 underlying tax itself.

4 QUESTION: But certainly this sort of thing
5 isn't the kind of thing you could have exhausted your
6 remedies on, is it?

7 MR. LEATHERWOOD: Absolutely, Your Honor. In
8 our -- in our -- it is our position that this entire --
9 the entire lawsuit is linked up to our tax process,
10 because the conduct that the Respondent is complaining
11 about here is that the tax itself is -- the tax itself and
12 the tax process is engaged in bad faith. And I would --

13 QUESTION: Now, what is -- was your answer to
14 the question? Suppose that this tax collector were
15 driving negligently in Nevada --

16 MR. LEATHERWOOD: Part --

17 QUESTION: Suppose the tax collector were
18 driving negligently in Las Vegas. It's very important for
19 the tax collector to go examine the record, and he's
20 driving negligently. What --

21 MR. LEATHERWOOD: I think, under Nevada v. Hall,
22 he would be -- he would be subject to negligent liability.
23 It's not connected to a core silent function because the
24 function here is -- the function here is a tax
25 investigation, whereas, driving is something that you can

1 investigate independent of the tax process itself.

2 QUESTION: So suppose that we -- we conclude
3 that footnote 24 does not provide sufficient guidance for
4 us to have a stable jurisprudence and that you will lose
5 unless Nevada versus Hall is overruled. Would you then
6 ask us to overrule Nevada versus Hall?

7 MR. LEATHERWOOD: Your Honor --

8 QUESTION: I know you don't want to entertain
9 that possibility, but suppose that's what we conclude.

10 MR. LEATHERWOOD: Well, we -- we've thought
11 about this, Your Honor, of course, and we would accept a
12 win, if that's the Court's direction, through overruling
13 Nevada v. Hall, but it's our contention that the Court
14 doesn't have to go that far to get -- to get to this
15 point. The Court can literally analogize to the special
16 protections that are provided to state tax systems within
17 the federal system itself.

18 QUESTION: But then that, as I suggested
19 earlier, is a difficult thing to do, because there are
20 congressional statutes that mandate that here. And all we
21 have is the Full Faith and Credit Clause. Now, perhaps
22 you say that's sufficient, but isn't it possible that
23 there might be other emanations of the Full Faith and
24 Credit Clause, other than just footnote 24, or whatever it
25 is, in Nevada against Hall. I'm not talking about

1 overruling it, but developing it, perhaps.

2 MR. LEATHERWOOD: Yes, Your Honor. I would
3 agree with that. Of course, we think that Nevada's
4 failure to recognize or give dignity to California's
5 immunity statute is not only a violation of the Full Faith
6 and Credit Clause, but is a hostile act, and this kind of
7 hostility is contrary to our whole concept of --

8 QUESTION: What -- what about a congressional
9 statute? That is, suppose the opinion read -- what would
10 your objection -- I know you'll object to this possible
11 opinion, and I want to hear what your objection is -- the
12 opinion says they're complaining here, as far as we're
13 concerned, with a serious tort, invasion of privacy, you
14 know, a whole lot of really bad behavior, et cetera --
15 they're complaining about that taking place by a
16 California official in Nevada, and we can't really
17 distinguish that from the automobile accident taking place
18 in Nevada. They're both torts. They're both very bad --
19 you know, this is worse conduct. Now, it's true that our
20 investigation of this may interfere with California's tax
21 authority's ability to sort of run investigations in
22 general. But if that turns out to be a problem, a big
23 problem, Congress can legislate.

24 MR. LEATHERWOOD: Well, that still creates --
25 that still creates the situation where Nevada is

1 supervising and managing California's tax practices.

2 QUESTION: Back to activities happening in
3 Nevada.

4 MR. LEATHERWOOD: Yeah. In this lawsuit -- this
5 lawsuit is -- is being prosecuted -- is being investigated
6 almost exclusively in California. The -- the intrusion
7 here, the interference here, is that Nevada has permitted
8 Mr. Hyatt to use this lawsuit both as a -- as a wall and a
9 battering ram. It has almost suppressed the entire
10 California tax investigation. It's creating an entire
11 class of possible plaintiffs that can sue California just
12 for literally going across the state line and making an
13 inquiry as to whether or not a former California resident,
14 a former California taxpayer, actually owes any taxes.

15 QUESTION: Well, they would have to show as an
16 intentional -- whatever that means under Nevada law -- not
17 just negligent when they --

18 MR. LEATHERWOOD: Well, the intentional act here
19 is that California created a tax system in bad faith to --
20 bad faith to extort an exit -- an exit tax from -- from a
21 taxpayer.

22 QUESTION: I thought that, again, the Nevada
23 Supreme Court said, we are not going to touch the question
24 of where this man was domiciled. That's for California to
25 decide. What we are dealing with is this new thing. One

1 allegation was trespass and going through the man's trash,
2 and another was calling -- maybe the calls emanated in
3 California -- calling people in Nevada insinuating bad
4 things about this person. And that has nothing to do with
5 where the man is domiciled. It's a question that
6 California is deciding and Nevada says it won't touch.

7 MR. LEATHERWOOD: Yeah, and I would -- I would
8 direct the Court to Joint Appendix 133, where -- where the
9 Court would -- the Nevada courts have indicated that
10 almost all the action in this -- in this lawsuit occurred
11 in California. And --

12 QUESTION: Well, you -- you recognized that
13 there were two trips into California.

14 MR. LEATHERWOOD: Actually, Your Honor --

15 QUESTION: I mean, to Nevada.

16 MR. LEATHERWOOD: Actually, Your Honor, I
17 believe there were three trips, and they were short trips
18 -- they were trips of extremely short duration.

19 QUESTION: And what was there about -- on one of
20 those trips, there was a trespass on his property and
21 rummaging through his trash.

22 MR. LEATHERWOOD: Well, that's not part of --
23 that's not part of the allegations of the -- of the
24 complaint itself. The complaint is saying that --

25 QUESTION: It was a more -- a more general

1 interference with his privacy, but those were examples
2 that were alleged, if not in the complaint, somewhere.

3 MR. LEATHERWOOD: No, there has been deposition
4 testimony that there -- on one of the trips, that the
5 investigator looked at the timing of Mr. -- of
6 Respondent's trash delivery and also looked at --
7 determined whether or not Respondent was receiving any
8 mail at that particular location. That does not justify
9 the pervasive nature and the extent in which this lawsuit
10 has reached into California and literally attacked the tax
11 process.

12 And, once again, I will refer the Court to the
13 Joint Appendix at page 60, where it is alleged that the
14 California tax system itself is a -- is a fraud -- that
15 is, put together in bad faith for the specific purpose of
16 extorting an exit tax from former residents who -- as they
17 leave California.

18 Well, if the Court has no more questions in this
19 regard, I would like --

20 QUESTION: Do you want to reserve your time, Mr.
21 Leatherwood?

22 MR. LEATHERWOOD: -- reserve the balance of my
23 time, thank you.

24 QUESTION: Very well.

25 Mr. Farr, we'll hear from you.

1 ORAL ARGUMENT OF H. BARTOW FARR

2 ON BEHALF OF RESPONDENT

3 MR. FARR: Thank you, Mr. Chief Justice, and may
4 it please the Court:

5 In our federal system, it's recognized that the
6 states will sometimes have overlapping jurisdiction. When
7 that happens, the Constitution allows each state to apply
8 its own laws against the background principle of comity
9 where they believe it would be appropriate to defer to the
10 laws of another state. And I submit that the Nevada
11 courts here have applied these principles very carefully.

12 Nevada, of course, correctly held that they were
13 not required to apply California's legislative-created law
14 of immunity. At the same time, however, they have applied
15 principles of comity to strike out the declaratory
16 judgment count that would have gone to the very issue that
17 is being contested in the Florida -- excuse me -- in the
18 California tax proceeding, which is the date that
19 Mr. Hyatt moved to Nevada. And they have also given
20 California complete immunity for any negligence that it
21 has committed.

22 So in this case, it seems to me, the system is
23 working --

24 QUESTION: Mr. Farr, can I ask you, do you think
25 they were compelled by the Full Faith and Credit Clause to

1 grant immunity on the negligence claim?

2 MR. FARR: That's an interesting question,
3 Justice Stevens, because Nevada officials themselves have
4 immunity. There would be a question, I suppose, of
5 whether the Full Faith and Credit Clause requires that.
6 My general feeling is probably not, but that is really not
7 a question so much of whether -- a choice of law between
8 California law and Nevada law, but simply a question of
9 what Nevada law would apply. So I don't think that the
10 Full Faith and Credit Clause itself speaks to that issue,
11 but I do think principles of comity will traditionally
12 reach that result. And, in fact --

13 QUESTION: Well, are principles of comity
14 dictated by the Constitution? Suppose --

15 MR. FARR: They are --

16 QUESTION: -- suppose Nevada said they were not
17 going to grant comity?

18 MR. FARR: That's correct, yes. And I don't
19 think there is a federally enforceable law of state
20 comity, but I think that is the system that has existed
21 essentially between sovereigns for much longer than the
22 United States is --

23 QUESTION: Well, is it your position then the
24 private plaintiff can always bring suit against a state in
25 the courts of another state?

1 MR. FARR: Well, the first question, of course,
2 is whether the court has legislative -- the first Full
3 Faith and Credit question is whether the court in which
4 the suit is brought has legislative jurisdiction. So
5 there is a requirement that that state have
6 constitutionally sufficient contacts with the law --

7 QUESTION: Well, then under due precedent.
8 Well, that's easy to satisfy.

9 MR. FARR: So assuming that they've satisfied
10 that, they are entitled to bring a suit. Then the
11 question is whether the state -- and I -- and I believe at
12 that point the state is free to apply its own laws to
13 protect its own interests. I think that's what the Full
14 Faith and Credit Clause allows. And it is the doctrine of
15 comity that provides the acknowledgment of the state --
16 the other state's interests. And that's typically, in
17 fact, what's happened with Nevada --

18 QUESTION: It's very --

19 MR. FARR: -- versus --

20 QUESTION: -- it's very odd to me that
21 California can't be sued in its own courts and it can't be
22 sued in a federal court, but it can be sued in a Nevada
23 court, which, if we follow that, the question really is
24 has the -- has the least interest in maintaining the
25 dignity of the State of California.

1 MR. FARR: Well, there are two -- two factors
2 there, Justice Kennedy. First of all, there is the fact
3 that Nevada has some very real interests of its own, its
4 own sovereign interests to protect here. I mean, there
5 have been torts which were both committed in Nevada and
6 directed at a Nevada resident. So, to begin with, before
7 one gets to the immunity question, Nevada, as a sovereign
8 state, has important interests in assuring compensation
9 and also in deterring that kind of conduct. So the idea
10 that a legislatively created immunity by another state
11 should be able to prevent Nevada from protecting those
12 interests seems inconsistent with the federal system.

13 Now, if one goes beyond that to the question of
14 inherent immunity, the very idea that a state should have
15 to be subject to sue in the courts of another state, I
16 think, first of all, as you know, we don't believe that
17 issue is properly presented on the question presented in
18 this case. But if you would like me to address it just
19 for a moment, I think there -- there are differences if
20 one looks to the -- to the way that the -- essentially
21 immunity has been resolved in -- in the course of -- of
22 the United States.

23 First of all, in its own courts, it has the
24 common-law immunity based on the idea that it is both the
25 king being sued in its own court, and also typically it is

1 also the progenitor of the law, so to speak, to Justice
2 Holmes' point.

3 In the United States, there's -- the courts of
4 the United States, there's a very specific situation. At
5 the time of the convention, the states were, obviously,
6 forming a new sovereign, and the question of whether that
7 sovereign was going to grant them the immunity they had in
8 their own courts or whether that sovereign would be in the
9 same position essentially as foreign sovereigns typically
10 were, which is that they did not have to provide
11 sovereignty except as a matter of comity. That's The
12 Schooner Exchange opinion.

13 But -- so the states, at that point, had a very
14 real interest in deciding that question, and they did, in
15 fact, decide that question, as the court has recognized.
16 That is not true with respect to the immunity that they
17 have had in the courts of other states.

18 QUESTION: Is -- how does Alden fit into this?
19 In Alden, I take it the court now -- we've held that a
20 citizen of Maine suing in the State of Maine's courts
21 alleging that Maine had violated a federal law can't do
22 it. Sovereign immunity. Right? That's Alden.

23 All right. Suppose the citizen of Maine walks
24 into a New Hampshire court and brings the same lawsuit
25 against Maine, assuming New Hampshire has appropriate

1 jurisdiction under its own laws.

2 MR. FARR: Uh-huh.

3 QUESTION: Do we get a different result?

4 MR. FARR: Okay, I think that is not a question
5 that is within the notion of what is the question in this
6 case.

7 QUESTION: No, no, well --

8 MR. FARR: I'm sorry. I --

9 QUESTION: -- you see, what I --

10 MR. FARR: Excuse me.

11 QUESTION: -- nonetheless, although --

12 MR. FARR: No, I --

13 QUESTION: -- what I'm trying to do is -- is
14 sort out what, in my mind, are a set of impossible
15 anomalies, and that's why I ask you that question.

16 MR. FARR: I'm sorry. I started to answer in
17 the wrong way.

18 QUESTION: Go ahead.

19 MR. FARR: What I -- I reserve the point, of
20 course, always, that I don't believe this is within the
21 question presented.

22 QUESTION: Yeah, yeah, of course.

23 MR. FARR: But I actually was going -- what I
24 meant to say is that I don't think it's the same kind of
25 question in the sense that I think still when you're

1 talking about enforcement of a federal cause of action in
2 another state, that is still really a federal-state
3 question.

4 QUESTION: See, but --

5 MR. FARR: That's still --

6 QUESTION: -- your answer, then --

7 MR. FARR: -- an evolving question.

8 QUESTION: -- your answer to my question is
9 Alden cannot be avoided simply by the Maine citizen
10 walking into a New Hampshire court and bringing the same
11 case.

12 MR. FARR: That's correct.

13 QUESTION: All right.

14 MR. FARR: I think that is --

15 QUESTION: And I would guess that's right.

16 MR. FARR: -- still a federal-state --

17 QUESTION: All right, assuming that's right --

18 MR. FARR: -- I think that is still a federal-
19 state issue.

20 QUESTION: -- assuming that's right, now, look
21 at the tremendous anomaly, which you were just about to
22 address, and I want to be sure you do. Our citizen of
23 Maine walks into the New Hampshire court and sues the
24 State of Maine under federal law. And the answer is, he
25 can't do it because of sovereign immunity. Our citizen of

1 Maine does the same thing, but this time his cause of
2 action is state law. And now you say he can do it.

3 MR. FARR: That's right. And --

4 QUESTION: And the only difference between the
5 two cases is that his cause of action is federal law in
6 the first case, and he can't sue the state; but state law
7 in the second case, and he can, which, of course, means
8 that the law of New Hampshire binds Maine in a way that
9 federal law cannot. Now, that, to me, I just can't --
10 that, to me, seems so anomalous that -- that I'd like an
11 explanation --

12 MR. FARR: Well --

13 QUESTION: -- if you can give it. And you see
14 how I'm thinking of it as connected here, because the
15 facts here are just part of that general anomaly.

16 MR. FARR: That's correct. Actually, Justice
17 Breyer, I think that's something that the court, to some
18 extent, addressed in Alden itself --

19 QUESTION: Uh-huh.

20 MR. FARR: -- in distinguishing the opinion in
21 Nevada versus Hall, when it noted that when you get into
22 the situation of a state being sued in the courts of
23 another state and, as in Nevada versus Hall, under a state
24 cause of action, you have now implicated the sovereignty
25 of a second sovereign. So when one is now looking at the

1 -- at the issues of sovereign immunity, one is looking at
2 a different platform of issues and also at a different
3 historical base.

4 QUESTION: But that seems to make their case
5 even harder. It would be difficult to conceive that the
6 framers thought that Virginia could be sued in
7 Pennsylvania but not in the federal court. I would think
8 that the presumption would be that this was an even
9 stronger case for the exercise of sovereign immunity than
10 when all of the citizens of the union are involved as in
11 the Alden situation --

12 MR. FARR: Well, I think that --

13 QUESTION: -- in the Eleventh Amendment.

14 MR. FARR: I mean, I think that there are two
15 things going on. I mean, first of all, the question is
16 not whether they can be sued, but if not, why not. For
17 example, with Pennsylvania and Virginia, as I'm sure the
18 Court is aware, had a -- Nathan versus Virginia is a case
19 in which that very situation came up. But in the courts
20 of Pennsylvania, the Pennsylvania Attorney General urged
21 its own courts to recognize sovereign immunity. So that
22 could naturally fit within the idea that Schooner Exchange
23 had made clear, which is that when you're talking about
24 coequal sovereigns of that nature, one is talking about
25 sovereignty that -- excuse me, immunity that is extended

1 as a matter of comity, not as a matter of absolute right
2 of the other sovereign. And the reason is -- excuse me --
3 the reason is that if you don't allow the sovereign to
4 execute its own laws within its own territory, you're
5 depriving that sovereign of part of its sovereignty.

6 QUESTION: Well, doesn't our original
7 jurisdiction as the states between states bear something
8 on this question?

9 MR. FARR: It bears a little bit. But, of
10 course, Article III itself is not a exclusive jurisdiction
11 provision. The Section 1251 provides exclusive
12 jurisdiction with respect to suits between states.

13 QUESTION: The idea that the framers would
14 provide for its original jurisdiction in the Supreme Court
15 in -- for suits by one state against another suggests they
16 thought it might be pretty hard to bring such a suit
17 anywhere else.

18 MR. FARR: Well, and they -- certainly as a
19 practical matter, they would have been right, Mr. Chief
20 Justice. I mean, as a practical matter, it has always
21 been difficult to bring a suit against a state, either in
22 its own courts or in the courts of another state. I mean,
23 even since Nevada versus Hall, typically states have
24 granted immunity to other states for when they're sued in
25 their own courts. And if they haven't granted absolute

1 immunity, what they have done, which I think is an
2 important principle emerging -- emerging principle of
3 comity, is they have tended to look at their own immunity
4 to see what kinds of suits could be brought against them
5 and to try, then, to grant to the -- to the outside
6 sovereign that same type of immunity.

7 QUESTION: Mr. Farr, have you found other
8 examples around the country of suits by citizens of one
9 state against another state in the other state's courts?

10 MR. FARR: I --

11 QUESTION: Is this relatively rare, or is it
12 happening? And in what context is it happening?

13 MR. FARR: It's relatively rare, and -- but
14 there have been some suits. There are a few of them cited
15 in our red brief, if I can find the page number, pages 38
16 and 39. The -- there are suits, for example, negligence
17 suits involving the release of dangerous persons within
18 another state who have created injury to citizens --

19 QUESTION: Uh-huh.

20 MR. FARR: -- of that state. There are more
21 commercial-type things involving contracts or -- one, in
22 particular, is a it for invasion of privacy when someone
23 who wrote a book disclosed information. In general,
24 though, Justice O'Connor, as I say, some of those suits,
25 the courts have just said, we're not going to hear them

1 whether you have a valid cause of action or not. We're
2 simply not going to -- going to recognize that in our
3 courts because of the sovereignty of the defendant. Other
4 courts have said, yes, we will open our courts, but we are
5 going to look to our own immunity to try to have
6 essentially a baseline to measure the sort of immunity
7 that we are going to --

8 QUESTION: Mr. Farr, are you saying --

9 MR. FARR: -- accept.

10 QUESTION: -- that that, too, is just a matter
11 of comity?

12 MR. FARR: I do think that that's --

13 QUESTION: Doesn't --

14 MR. FARR: -- just a matter --

15 QUESTION: -- doesn't the Privileges and
16 Immunity Clause of Article IV have something to say? If
17 you can treat a tax collector from California differently
18 than the tax collector in Nevada, you're not giving their
19 tax collectors equal privileges and immunities in Nevada.

20 MR. FARR: If one granted lesser immunity? Is
21 that the question --

22 QUESTION: Yes. If one -- you said that the
23 only stopper was a notion of comity, and I'm suggesting
24 that you might not be able to treat two officials, one
25 from out of state, one from in state, to treat -- to favor

1 the in-state official. But maybe Privileges and
2 Immunities have -- has something to do with that.

3 MR. FARR: If a state is entitled as a defendant
4 to invoke Privileges and Immunities against the courts in
5 another state, I would think that's right. Certainly in
6 the case --

7 QUESTION: Is it?

8 MR. FARR: I --

9 QUESTION: I mean, I thought --

10 MR. FARR: I would have thought not.

11 QUESTION: -- that would go to individual
12 liability, but it would -- it would not affect this
13 question, but I may be wrong.

14 MR. FARR: Well, no, I -- that would be my
15 assumption, also, Justice Souter. I think that the -- the
16 Privileges and Immunities and Equal Protection are -- are
17 provisions that apply to individuals who are claiming
18 discrimination in -- in another state. I don't think they
19 would apply directly to a state.

20 But, as I say, the -- the notion that comity is
21 -- is something that -- that doesn't have a force, even
22 though it's not federal enforceable, it seems to me is a
23 little bit of a misperception. Because, again, if one
24 goes back to the notion of the law of nations or separate
25 sovereigns, comity essentially has been the provision that

1 governs their relations since well before the convention.

2 QUESTION: Well, there is some reluctance to say
3 that California officials can run amok in Nevada without
4 Nevada being able to do anything about it. I suppose if
5 it were a pervasive practice, Nevada might be able to sue
6 California in the original jurisdiction under some *parens*
7 *patriae* theory. I'm not sure about that.

8 MR. FARR: Well, I mean, let me suggest a couple
9 of other possibilities, Justice Kennedy, as well. I don't
10 -- I don't know whether the court would take original
11 jurisdiction of that question or not, but, I mean, the
12 most direct example of something states could do,
13 obviously, is they could reach agreements between
14 themselves. I mean, there have been two cases before this
15 court involving suits against states in the courts of
16 other states. One was Nevada in California's courts.
17 This is California in Nevada's courts. If those states,
18 who are neighboring states, feel that this is an issue
19 that they need to address, they could reach some sort of
20 agreement and, therefore, have reciprocal legislation.

21 And, for example, under the Full Faith and
22 Credit Clause for years, as the Court may know, there is a
23 doctrine that said that states didn't have to enforce the
24 penal laws of another state, even though Full Faith and
25 Credit, on its face, would make you feel that maybe they

1 would have.

2 But, in fact, states eventually began, through
3 reciprocal agreements in decisions, and I think in
4 legislation also, saying, you know, we essentially will
5 enforce the penal laws and the tax laws of other states,
6 so long as they do for us. So, again, the states --

7 QUESTION: Penal laws or penal judgments?

8 MR. FARR: No, no, penal judgments, the court
9 said in -- in Milwaukee County, have to be enforced, but
10 they -- they distinguished at that point, Mr. Chief
11 Justice, the idea that a law itself would have to be in
12 force before it had been reduced to --

13 QUESTION: Right, but what -- what -- what is
14 the -- I don't want to -- I don't want you to get
15 distracted, because I thought Justice Ginsberg and maybe
16 Justice Kennedy and I were driving at the same problem,
17 which is that imagine Nevada v. Hall is good law. All
18 right, now, the question comes up, How do you prevent
19 Nevada from going wild? All right. And so now we have
20 several answers: (a), Congress can pass a statute --

21 MR. FARR: Correct.

22 QUESTION: -- (b) interstate compacts -- that
23 was what you were suggesting.

24 MR. FARR: And -- and --

25 QUESTION: All right.

1 MR. FARR: -- if I may --
2 QUESTION: Yeah, the --
3 MR. FARR: -- if I may intercede, it doesn't
4 necessarily have to be a compact. I'm not sure --
5 QUESTION: Right, some --
6 MR. FARR: -- it's agreements that have to be
7 proven.
8 QUESTION: -- kind of a voluntary action by the
9 states.
10 MR. FARR: Right, correct.
11 QUESTION: (c) Privileges and Immunities, which
12 has the problem that it refers to citizens and not states,
13 (d) equal protection doesn't work, I don't think, because
14 it says, again, citizens. A due process clause, is a
15 state a person under the Due Process Clause?
16 (e), what's (e)? I mean, you see? If Nevada --
17 (e) is, of course, footnote 24, but then that gets us into
18 the National League of Cities problem. And so National
19 League of Cities --
20 MR. FARR: Well, there could --
21 QUESTION: -- that -- that -- that approach --
22 equal -- no, Privileges and Immunities, due process of
23 law, voluntary action states, Congress enacts a law,
24 anything else? Have we got -- is that the exhaustive list
25 that we must choose from?

1 MR. FARR: It's --
2 QUESTION: Or --
3 MR. FARR: -- it seems exhaustive --
4 QUESTION: And the only -- all right, that's --
5 if -- if nothing in that list works, then the only
6 alternative is overrule Nevada v. Hall.
7 QUESTION: Is --
8 QUESTION: -- or, excuse me --
9 QUESTION: -- is comity on the list?
10 MR. FARR: Well, comity --
11 QUESTION: Well, I mean -- I mean I --
12 MR. FARR: -- excuse me -- comity is --
13 QUESTION: Comity -- comity is not the answer to
14 the problem, because -- well, it is, in a sense. It is,
15 in a sense.
16 MR. FARR: Yeah, I mean --
17 QUESTION: Voluntary restraint.
18 MR. FARR: Excuse me. I don't -- I certainly
19 don't mean to minimize the theoretical possibility that
20 suits in courts of one state could ultimately prove to be
21 a problem, generally. What I'm suggesting is that there
22 is nothing, first of all, in the history of the Full Faith
23 and Credit Clause that would suggest that once a state has
24 proper legislative jurisdiction, as I think everybody
25 concedes that Nevada does here, that somehow that clause

1 was intended to displace the law of that state simply
2 because another state had made different policy choices
3 about, let's say, here, compensation and immunity.

4 QUESTION: But can you say that categorically
5 and absolutely? I mean, there are all sorts of
6 permutations of facts that could up.

7 MR. FARR: Well, what -- the permutations and
8 facts, I think, go particularly to what constitutes
9 legislative jurisdiction. So perhaps in that sense, my
10 statement is broader, or seems broader in the context of
11 this case than I mean it to be. But I do -- but I do
12 think, in general, that I don't see any warrant in the
13 Full Faith and Credit Clause, given the fact that it was
14 enacted with very little debate, and almost all of the
15 debate was about judgments and not about enforcement of
16 other states' laws, I think it would be stretching the
17 clause beyond recognition to say that at some point it was
18 -- it was telling states, you're going to have to set your
19 laws aside and apply the laws of another state.

20 QUESTION: There was a time in the '30s and '20s
21 when this court came pretty close to that, the cases that
22 preceded Pacific Employers.

23 MR. FARR: That's correct, Mr. Chief Justice.

24 QUESTION: Clapper and Bradford.

25 THE COURT Yes.

1 MR. FARR: That's correct. And as I think my
2 argument might suggest, I think the Court was correct to
3 essentially back away from that kind of balancing test and
4 essentially go back to the principle of saying when a
5 state is competent to legislate, then it may apply its own
6 laws, leaving the additional questions about what might
7 happen at that point to questions comity where a state is
8 the defendant. And, as I've suggested, Nevada courts have
9 shown considerable comity already here, and the case, of
10 course, is not yet concluded.

11 QUESTION: Comity is something like a hearty
12 handshake. I mean, it -- it's something that you can't
13 put any -- any force to.

14 MR. FARR: That's -- that's true in one sense,
15 Mr. Chief Justice. I mean, when I say it's not -- that
16 there's no federally enforceable state law of comity, I --
17 that's true. But at the same time, I mean, the court's
18 decisions about comity since back in the last 18th century
19 have emphasized that it is a serious doctrine. It's a
20 doctrine built of respect for -- for other sovereigns.
21 And in particular -- and I think this -- this is -- also
22 goes to the practical problem that Justices Kennedy and
23 Breyer are asking about -- it also does have a healthy
24 measure of self interest in it.

25 I mean, when -- when you are talking about

1 coequal sovereigns, any sovereign that is exercising
2 jurisdiction over another sovereign understands that
3 that's -- the first sovereign -- or the second sovereign
4 has the same power and authority over it.

5 QUESTION: Is -- is the question of comity one
6 that has a federal component so that this court should
7 weigh in on when it has to be exercised?

8 MR. FARR: I don't believe so state versus
9 state, Justice O'Connor. Or course, in the -- in the
10 types of cases that the board was referring to this
11 morning, like McNary, there are comity elements. And
12 there -- and there is a jurisprudence of this court with
13 respect to federal and state relations which does depend
14 on comity, and that is, of course, federally enforceable.
15 I don't believe that there is a concomitant enforceable
16 doctrine --

17 QUESTION: But you're arguing --

18 MR. FARR: -- state to state.

19 QUESTION: Even in the face -- even in the face
20 of some development by state -- a state court that seems
21 totally out of whack with our constitutional structure?

22 MR. FARR: Well, Justice O'Connor, I suppose I
23 should --

24 QUESTION: Are there no extremes? Is there no
25 limitation?

1 MR. FARR: Well, I -- I mean, I'm -- I suppose I
2 should pause in the sense that -- that if there is
3 something that is so threatening to the constitutional
4 structure and something for which there is no historical
5 basis in -- in terms of the -- the way that sovereigns
6 deal with each other. Now, see, that's -- that's where I
7 think this case is very different, because even though
8 there was certainly a practical tradition that states were
9 not to be sued in other states, as I say, since Schooner
10 Exchange, and, indeed, in the Verlinden in 1980, this
11 court has always taken the position that when you're
12 talking about relationships between sovereigns, and
13 they're coequal sovereigns, and the issue is immunity
14 between them, that is a matter of comity.

15 QUESTION: All right, but leave -- say, this
16 case, I can easily see on your theory writing the part of
17 the opinion that says the acts in Nevada, the acts in
18 Nevada that were arguably torts are certainly up to Nevada
19 to pursue. But the discovery commissioner here, they say,
20 went way too far in ordering discovery and ordered
21 discovery that would have been relevant only to negligent
22 action and only negligent action, really, that took place
23 in California, though a Nevada resident was at issue. And
24 they can't do that, says the opinion, because -- because
25 -- and now this is where it seems to me there -- something

1 -- what do I fill that blank with*. They can't do that.
2 They can't go over and, in Nevada, complain about
3 negligent action as this discovery commissioner may have
4 done, negligent action in California aimed at a Nevada
5 resident where it's a tax action. They can't do that
6 because -- and now what? You see -- do you see what's
7 bothering me?

8 I -- at this point, it seems to me there has to
9 be something in the Constitution that limits that, and
10 this case may raise that problem because of the actions of
11 the discovery commissioner. And, therefore, I think I
12 need something to fill that blank with.

13 MR. FARR: Well, as -- I don't think, to start
14 with, that the answer is the Full Faith and Credit Clause.

15 QUESTION: All right, what is it?

16 MR. FARR: I mean --

17 QUESTION: I -- it's an odd -- an awkward
18 vehicle, Full Faith --

19 MR. FARR: Right.

20 QUESTION: -- but what is the answer?

21 MR. FARR: Well, I mean, I still think that, in
22 the end, the answer is that this is a matter that one
23 trusts to the judgment of states --

24 QUESTION: So the answer is if they want to do
25 that, they can do it.

1 MR. FARR: -- that if, in fact, there is a
2 question about discovery, that --

3 QUESTION: Uh-huh.

4 MR. FARR: -- I mean, that I -- accepting the
5 characterization, although I dispute it to some extent,
6 but to the extent there's a question about discovery, that
7 is simply part and parcel of the states being able to
8 exercise their jurisdiction. I don't --

9 QUESTION: I thought discovery was --

10 QUESTION: Okay.

11 QUESTION: -- interlocutory. I thought that we
12 couldn't write in an opinion, as Justice Breyer has
13 suggested, if I didn't think that that question was
14 currently reviewable.

15 MR. FARR: Well, there's certainly nothing
16 specifically in the question presented about discovery.
17 The -- the -- the -- again, to come back to the question
18 presented, because we've discussed a wide range of issues,
19 most of which I don't think are within the question
20 presented, but when we come back to the question
21 presented, the question is basically was the Nevada or the
22 Nevada courts required to dismiss this action on summary
23 judgment because of California's law of immunity? And --
24 and the reason for that is because, according to
25 California, the Full Faith and Credit Clause requires

1 Nevada to enforce California's law of immunity.

2 QUESTION: Mr. Farr --

3 MR. FARR: Our view is -- yeah?

4 QUESTION: -- do I understand -- your comity

5 argument basically is -- it's kind a self-executing thing,

6 because each time a state has to answer the comity

7 question, it asks the question, what would I do if the

8 tables were reversed? And as history teaches us, they

9 generally treat the other sovereign the way they would

10 want to be treated themselves. And that's --

11 MR. FARR: Well --

12 QUESTION: -- well, that's the rule that seems

13 to have been developed without any overriding

14 constitutional command order here.

15 MR. FARR: That's correct, Justice Stevens. And,

16 in fact, they have become more specific in applying

17 comity, I believe, in saying we want to treat the other

18 sovereign as we do treat ourselves, not just as we want to

19 be treated. We are treating the other sovereign the way

20 we treat ourselves.

21 QUESTION: What if the -- what if the case came,

22 and they didn't do it? Justice Breyer's question, how do

23 I fill in the blank? I -- if, let's say, through this

24 intrusive discovery process, systematically applied, they

25 really were interfering with California's taxation,

1 couldn't California bring an original action to enjoin
2 this interference?

3 MR. FARR: I certainly think that's possible.
4 And, of course, as I've said, I mean, California can try
5 to talk to Nevada and try to reach agreement at a
6 sovereign level about this, or if, in fact -- the Full
7 Faith and Credit Clause has a specific express commitment
8 to Congress of the right to declare the effects of other
9 laws.

10 QUESTION: What would be the underlying --

11 QUESTION: Underlying --

12 QUESTION: -- substantive law in Justice
13 Souter's proposed original action?

14 MR. FARR: The -- I suppose, I mean, based on
15 what California has said before -- said up to now, it
16 would bring it under the Full Faith and Credit Clause,
17 that it would say that there is some requirement --

18 QUESTION: Well, but we wouldn't need an
19 original action for the Full Faith and Credit Clause. If
20 that's so, it could apply in this case.

21 MR. FARR: That's correct. I mean, whether
22 they're --

23 QUESTION: So what's the -- what would an
24 original action -- there was -- there's no underlying
25 substantive standard to apply?

1 MR. FARR: I mean, the question would be, is
2 there -- obviously, the question that's being raised. I
3 am not aware of the federal substantive standard --

4 QUESTION: We haven't --

5 MR. FARR: -- that says --

6 QUESTION: -- in boundary cases, though,
7 adopted, as a federal rule, something maybe different from
8 the law of either state.

9 MR. FARR: That's correct. Now, you do have --
10 there are certain cases, in fact, in which you can't have
11 overlapping jurisdiction, where you can't own the same
12 water, you can't own the same land, you can't escheat the
13 same property. So that's true. The court has addressed
14 those kinds of cases.

15 In a situation where you're simply saying
16 another state is applying its laws, I prefer that they
17 apply our laws, and I'm troubled by the discovery that
18 they have -- they have allowed in applying their own laws,
19 I'm not sure what the federal principle --

20 QUESTION: It's not simply that.

21 MR. FARR: -- is that entitles you to stop it.

22 QUESTION: It's not simply that it's a prior
23 action pending. That's what makes this case different,
24 and one of the things that makes it different from Nevada
25 v. Hall. Why is it -- is the California proceeding

1 ongoing? Isn't it normal for a second court to stay its
2 operations so it won't interfere with that prior action?

3 MR. FARR: it -- in fact, the Nevada court
4 dismissed the declaratory judgment action precisely
5 because it didn't want to get into the question that was
6 at issue in the California proceeding.

7 QUESTION: Yes, but what about the intrusive
8 discovery?

9 MR. FARR: Well, most of the -- most of the
10 other material -- with one exception, most of the other
11 issues involved things that have nothing to do with the
12 merits of the California inquiry. I mean, whether
13 confidential information has been improperly disclosed has
14 -- is not -- does not require you to adjudicate the
15 California tax liability in order to understand that. The
16 only thing that has any bearing that is close to that, I
17 submit, is something that is roughly akin to like a
18 malicious prosecution suit. And tort law itself, over
19 time, takes care of that. We've not gotten to that issue
20 yet in the Nevada Supreme Court.

21 QUESTION: Thank you, Mr. Farr.

22 Mr. Leatherwood, you have five minutes
23 remaining.

24 REBUTTAL ARGUMENT OF FELIX LEATHERWOOD
25 ON BEHALF OF PETITIONER

1 MR. LEATHERWOOD: Thank you, Your Honor.

2 In this particular case, I'd like to go back to
3 Justice Breyer's thumbscrew example. I don't think the
4 Full Faith and Credit Clause would actually force Cal --
5 force Nevada to apply -- apply a California thumbscrew
6 statute, because that would actually be outside the tax
7 function.

8 What I'm saying in this particular case what has
9 happened is that Nevada's failure to give us back to
10 California's immunity statute has resulted in interference
11 with California's tax system. If this court does not
12 intervene and give us back to our particular proposed
13 test, which would look into California to see whether or
14 not we would grant immunity, then essentially that would
15 permit any defendant any form of taxpayer to run to the
16 border and literally sue the State of California or any
17 other state to prevent the enforcement of that particular
18 statute.

19 In addition, I pointed out that this gives
20 another state the power to intrude into the actual
21 operation of another state, and that's what has happened
22 here.

23 There has been some -- some discussion as to
24 whether or not Nevada has legislative jurisdiction. We
25 concede that they have legislative jurisdiction over the

1 tort. But we -- what we complain about is that they won't
2 respect our legislative jurisdiction or our tax process
3 over our immunity laws, and that is our particular
4 complaint.

5 We submit the case.

6 CHIEF JUSTICE REHNQUIST: Thank you,
7 Mr. Leatherwood. The case is submitted.

8 (Whereupon, at 11:59 a.m., the case in the
9 above-entitled matter was submitted.)

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